

**COLBY COMMUNITY COLLEGE**

Financial Statements With Independent Auditors' Report

For the Years Ended June 30, 2011 and 2010

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For the Years Ended June 30, June 30, 2011 and 2010

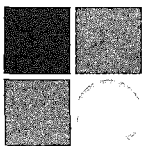
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Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
**Colby Community College**  
Colby, Kansas

We have audited the accompanying balance sheets of **Colby Community College**, as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Colby Community College Endowment Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The College is in compliance with K.S.A. 12-5040 in which the College is subsidizing health insurance premiums regardless of age and, as a result, the College is not accounting for post employment benefits. Accounting principles generally accepted in the United States of America require that accounting and financial reporting of post employment benefits other than pensions be included in **Colby Community College's** financial statements, which would increase the liability and the expenditures in the above financial statements. The amount by which this departure would affect the liabilities, net assets and expenses are not reasonably determinable.

In our opinion, except for the effects of not accounting for post employment benefits, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of **Colby Community College** as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

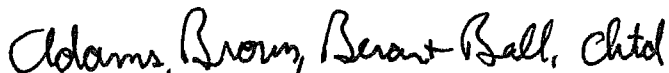
In our opinion, except for the departure noted above and in the following paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of **Colby Community College** as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Colby Community College Endowment Foundation does not present its financial statements in conformity with accounting principles generally accepted in the United States of America. Furthermore, the Foundation does not present a statement of cash flows as of June 30, 2011 and 2010. The difference between generally accepted accounting principles and the modified cash basis, although not readily determinable, is thought to be material.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2012, on our consideration of **Colby Community College's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise **Colby Community College's** financial statements as a whole. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



**ADAMS, BROWN, BERAN & BALL, CHTD.**  
Certified Public Accountants

February 27, 2012

**COLBY COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
For the Years Ended June 30, 2011 and 2010

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## Introduction

Management's discussion and analysis is an overview of the financial position and financial activities of **Colby Community College** (the College). The College's management prepared this discussion. It should be read in conjunction with the College's financial statements and notes that follow.

The College prepared the financial statements in accordance with Governmental Accounting Standards Board (GASB) principles. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires the financial statements be presented on a consolidated basis to focus on the College as a whole. Previously, financial statements focused on the accountability of individual fund groups rather than on the College as a whole. The accompanying financial statements include the accounts of the College.

There are three financial statements presented: 1) Balance Sheets; 2) Statement of Revenue, Expense and Change in Net Assets and 3) Statement of Cash Flows.

## Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the College at the end of the fiscal year, June 30. The purpose of the Statement of Net Assets is to present a snapshot of the financial condition of the College. The total of net assets is one indicator of the current financial condition of the College.

The assets and liabilities are categorized between current and non-current. Current assets and liabilities typically mature or become due within the next 12 months. Non-current assets are those held for longer periods of time (e.g. buildings and equipment) while non-current liabilities are those payable beyond the next 12 months (e.g. long-term debt).

Net assets are presented in four categories: 1) Unrestricted net assets are available for operational requirements relative to day-to-day college activities. 2) Restricted - Expendable assets are those that have some specific purpose or time-based requirement relative to the utilization of funds. These funds are available for use after said stipulations are fulfilled. 3) Invested in Capital Assets, Net of Debt represents that portion of college net assets committed to long-term investments such as buildings and equipment. 4) Restricted Non-Expendable net assets are endowments for which only the interest portion can be spent. The College has no restricted non-expendable net assets at June 30, 2011 or 2010.

Following is a summary of the Statement of Financial Position as of June 30, 2011 and 2010 respectively (in millions):

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets	\$ 1.1	\$ 1.8
Non-Current Assets	<u>9.4</u>	<u>9.8</u>
Total Assets	<u>\$ 10.5</u>	<u>\$ 11.6</u>
Liabilities		
Current Liabilities	\$ 1.1	\$ 1.2
Non-Current Liabilities	<u>5.3</u>	<u>5.6</u>
Total Liabilities	<u>\$ 6.4</u>	<u>\$ 6.8</u>
Net Assets		
Unrestricted	\$ 0.3	\$ 0.8
Restricted – Expendable	0.6	0.9
Invested in Capital Assets	<u>3.2</u>	<u>3.1</u>
Total Net Assets	<u>\$ 4.1</u>	<u>\$ 4.8</u>

**COLBY COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
For the Years Ended June 30, 2011 and 2010

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**Statement of Revenue, Expense and Change in Net Assets**

The Statement of Revenue, Expense and Change in Net Assets presents the College's financial results for the fiscal year. The statement includes the College's revenues and expenses, both operating and non-operating. Following is a summary of the Statement of Revenue, Expense and Change in Net Assets for the Years Ended June 30, 2011 and 2010 respectively (in millions):

	<u>2011</u>	<u>2010</u>
Operating Revenues	\$ 6.5	\$ 6.1
Operating Expenses	<u>14.4</u>	<u>14.1</u>
Operating Loss	(7.9)	(8.0)
Non-Operating Revenues, Net	<u>7.2</u>	<u>7.3</u>
Change in Net Assets	(.7)	(.7)
Net Assets, Beginning of Year	<u>4.8</u>	<u>5.5</u>
Net Assets, End of Year	<u>\$ 4.1</u>	<u>\$ 4.8</u>

**Statement of Cash Flows**

The Statement of Cash Flows presents information about the cash activity of the College. The statement shows the major sources and uses of cash. Following is a summary of the Statement of Activities for the Years Ended June 30, 2011 and 2010 respectively (in millions):

	<u>2011</u>	<u>2010</u>
Cash Provided (Used) By:		
Operating Activities	\$ (7.6)	\$ (7.0)
Non-Capital Financing Activities	7.3	7.2
Capital and Related Financing Activities	<u>(0.4)</u>	<u>(0.9)</u>
Net Change in Cash	(0.7)	(0.7)
Cash, Beginning of Year	<u>1.3</u>	<u>2.0</u>
Cash, End of Year	<u>\$ 0.6</u>	<u>\$ 1.3</u>

Economic Outlook

Recent events have caused significant economic concern across the nation, and even on a world-wide basis. While Thomas County is not isolated from such economic downturn, we are in a better position than many urban areas. Continued reduction in state funding challenges the College to develop alternative sources of income; this will continue to be an issue in coming years. The College will continue to seek ways of increasing enrollment both through additional programs and strong recruiting initiatives across the tri-state area. Management will continue to be diligent in utilization of all resources, enabling continued program enhancement and growth.

Three-fourths of our revenue comes primarily from three sources, with each of the three being approximately equal. Of the three primary sources, local property taxes along with student tuition and fees remain relatively strong and constant (even increasing). However, relative to our third primary source of revenue (state operating grant funding), we continue to experience significant declines. Replacing this loss with other revenue (increase enrollment, more diverse non-traditional offerings, etc.) will be necessary to maintain the current level of operations. The remaining fourth of our revenue is generated from room and board, a variety of grant funding sources, bookstore sales, and various others. We expect no significant problems or reductions with these sources of revenue.

**COLBY COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
For the Years Ended June 30, 2011 and 2010

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Expenditures are categorized as follows: Academics – 40%, Student Support and Scholarships – 23%, Institutional and Athletics – 19%, General and Debt Service – 18%. Over 55% of our costs relate to Salaries, Wages and Benefits (this amounts to nearly 85% after eliminating relatively fixed costs). The College administration and Board of Trustees continue to seek methods of increasing operational efficiency, leveraging current resources to generate additional revenue, and broaden our revenue base to effectively absorb necessary program and operational costs. This challenge will be especially acute moving forward, based on the premise that we will experience even lower state funding than current levels.

The component units' separately issued financial statements can be obtained by contacting the College Business office. Also, further questions concerning this report or the financial status of Colby Community College should be directed to the College Business office at 1255 S. Range, Colby Kansas (785) 460-5550.



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Alan Waites  
Colby Community College  
Chief Financial Officer

COLBY COMMUNITY COLLEGE  
Balance Sheets  
June 30, 2011 and 2010

	Community College		Endowment Foundation - Modified Cash Basis	
	2011	2010	2011	2010
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Investments	\$ 224,378	925,759	956,728	1,094,535
Accounts Receivable - 2010 Taxes in Process, Net of Uncollectible	220,997	302,560	-	-
Accounts Receivable, Students, Net of Allowance for Doubtful Accounts of \$400,630 and \$376,550	338,074	311,897	-	-
Grants Receivable	55,425	65,164	-	-
Inventories	184,981	178,479	-	-
Prepaid Insurance and Other Expenses	24,970	24,554	-	-
<b>Total Current Assets</b>	<b>1,048,825</b>	<b>1,808,413</b>	<b>956,728</b>	<b>1,094,535</b>
<b>Noncurrent Assets</b>				
Cash - Debt Service Reserve	347,019	347,019	-	-
Investments	-	-	4,033,431	3,874,804
Loans to Students, Net of Allowance for Uncollectible Loans of \$166,772 and \$184,969	341,537	369,026	-	-
Capital Assets, Net of Accumulated Depreciation of \$6,092,743 and \$5,659,700	8,574,292	8,898,300	-	-
Other Assets	163,119	169,161	-	-
<b>Total Noncurrent Assets</b>	<b>9,425,967</b>	<b>9,783,506</b>	<b>4,033,431</b>	<b>3,874,804</b>
<b>Total Assets</b>	<b>\$ 10,474,792</b>	<b>11,591,919</b>	<b>4,990,159</b>	<b>4,969,339</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Current Obligations - Capital Leases and Revenue Bond	\$ 296,194	300,357	-	-
Accounts Payable	196,695	241,664	-	-
Accrued Payroll and Benefits	547,417	545,542	-	-
Accrued Interest Payable	42,500	42,500	-	-
<b>Total Current Liabilities</b>	<b>1,082,806</b>	<b>1,130,063</b>	<b>-</b>	<b>-</b>
<b>Noncurrent Liabilities</b>				
Non-Current Obligations - Capital Leases and Revenue Bond	5,325,273	5,621,382	-	-
<b>Total Liabilities</b>	<b>6,408,079</b>	<b>6,751,445</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt Restricted for	3,152,816	3,118,052	-	-
Encumbrances	132,200	129,300	-	-
Perkins Loan and Grant Funds	103,337	445,348	-	-
Other	347,019	347,019	94,094	59,976
Restricted - Nonexpendable	-	-	3,883,465	3,798,234
Unrestricted	331,341	800,755	1,012,600	1,111,129
<b>Total Net Assets</b>	<b>4,066,713</b>	<b>4,840,474</b>	<b>4,990,159</b>	<b>4,969,339</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 10,474,792</b>	<b>11,591,919</b>	<b>4,990,159</b>	<b>4,969,339</b>

The accompanying notes are an integral part of these financial statements.

**COLBY COMMUNITY COLLEGE**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**For the Years Ended June 30, 2011 and 2010**

	<u>Community College</u>		<u>Endowment Foundation - Modified Cash Basis</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b><u>REVENUES</u></b>				
<b>Operating Revenues</b>				
Tuition and Fees	\$ 3,598,710	3,471,440	-	-
Less: Student Aid/Discount	(861,316)	(892,053)	-	-
Net Tuition and Fees	2,737,394	2,579,387	-	-
Federal Grants and Contracts	1,249,052	1,110,861	-	-
State Grants and Contracts	104,155	193,700	-	-
Other Grants and Contracts	196,090	177,247	-	-
Auxiliary Income	1,563,915	1,582,880	-	-
Other Income	669,343	504,811	-	-
Contributions and Other Fundraisers	-	-	229,950	1,577,396
<b>Total Operating Revenues</b>	<b>6,519,949</b>	<b>6,148,886</b>	<b>229,950</b>	<b>1,577,396</b>
<b><u>EXPENSES</u></b>				
<b>Operating Expenses</b>				
Educational Services				
Academics, Instructional and Support	5,694,898	5,868,462	-	-
Student Support Services	3,407,482	3,134,259	275,394	191,124
Support Services				
Development, Facilities and Athletics	2,768,644	2,797,568	116,432	161,653
General and Administrative	2,165,881	1,881,642	-	-
Depreciation and Amortization Expense	439,085	432,910	-	-
<b>Total Operating Expenses</b>	<b>14,475,990</b>	<b>14,114,841</b>	<b>391,826</b>	<b>352,777</b>
<b>Operating Income (Loss)</b>	<b>(7,956,041)</b>	<b>(7,965,955)</b>	<b>(161,876)</b>	<b>1,224,619</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>				
State Appropriations	2,072,201	2,541,064	-	-
County Property Taxes	3,344,984	3,206,834	-	-
Pell Grants	1,757,370	1,525,000	-	-
Investment Income	902	3,790	182,696	128,750
Gain From Sale of Assets	-	20,917	-	-
Interest on Student Loans Receivable	6,695	7,338	-	-
Interest on Capital Asset Debt	128	229	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>7,182,280</b>	<b>7,305,172</b>	<b>182,696</b>	<b>128,750</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(773,761)</b>	<b>(660,783)</b>	<b>20,820</b>	<b>1,353,369</b>
<b>Net Assets, Beginning of Year-As Previously Stated</b>	<b>5,000,875</b>	<b>5,501,257</b>	<b>4,969,339</b>	<b>3,615,970</b>
<b>Prior Period Adjustment</b>	<b>(160,401)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets, Beginning of Year-As Restated</b>	<b>4,840,474</b>	<b>5,501,257</b>	<b>-</b>	<b>-</b>
<b>Net Assets, End of Year</b>	<b>\$ 4,066,713</b>	<b>4,840,474</b>	<b>4,990,159</b>	<b>4,969,339</b>

The accompanying notes are an integral part of these financial statements.

**COLBY COMMUNITY COLLEGE**  
**Statements of Cash Flows - College**  
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student Tuition and Fees, Net of Discount	\$ 2,748,445	2,842,162
Grants and Contracts	1,549,297	1,481,808
Auxiliary Enterprise Revenue	1,563,915	1,582,880
Payments to Employees and for Employee Benefits	(7,995,685)	(7,747,342)
Payments to Suppliers	(6,091,232)	(5,695,228)
Other Receipts	669,343	504,811
<b>Net Cash Used by Operating Activities</b>	<u>(7,555,917)</u>	<u>(7,030,909)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	2,072,201	2,541,064
County Property Taxes	3,426,547	3,142,657
Pell Grants	1,757,370	1,525,000
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>7,256,118</u>	<u>7,208,721</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Capital Assets	(109,035)	(663,804)
Principal Paid on Long-Term Debt	(300,272)	(290,274)
Interest Income	128	229
Proceeds From Ford Motor Credit Corporation	-	52,085
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(409,179)</u>	<u>(901,764)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	902	3,790
Interest on Student Loans	6,695	7,338
<b>Net Cash Provided by Investing Activities</b>	<u>7,597</u>	<u>11,128</u>
<b>Net Decrease in Cash and Debt Service Reserve</b>	<u>(701,381)</u>	<u>(712,824)</u>
<b>Cash and Debt Service Reserve, Beginning of Year</b>	<u>1,272,778</u>	<u>1,985,602</u>
<b>Cash and Debt Service Reserve, End of Year</b>	<u>\$ 571,397</u>	<u>1,272,778</u>

The accompanying notes are an integral part of these financial statements.

**COLBY COMMUNITY COLLEGE**  
**Statements of Cash Flows - College**  
**For the Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Reconciliation of Operating Loss to Net Cash (Used) by Operating Activities</b>		
<b>Operating Loss</b>	<b>\$ (7,956,041)</b>	<b>(7,965,955)</b>
<b>Adjustments to Reconcile Operating Loss to Net Cash</b>		
<b>Used by Operating Activities</b>		
Depreciation and Amortization	439,085	432,910
Changes in Operating Assets and Liabilities		
(Increase) Decrease in		
Accounts Receivable	(16,438)	225,079
Prepaid Expense	(416)	(165)
Inventories	(6,502)	(22,500)
Loans to Students	27,489	37,696
Increase (Decrease) in		
Accounts Payable	(44,969)	187,741
Compensation and Related Benefits	1,875	74,615
Other Liabilities	<u>-</u>	<u>(330)</u>
<b>Net Cash Used by Operating Activities</b>	<b>\$ <u>(7,555,917)</u></b>	<b><u>(7,030,909)</u></b>

The accompanying notes are an integral part of these financial statements.

**COLBY COMMUNITY COLLEGE**  
Notes to the Financial Statements  
June 30, 2011 and 2010

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**NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

**Colby Community College** is located in northwest Kansas in Thomas County. The College was organized and established in 1964 under the provisions of then Section 72-6901 *et. seq.* of Kansas Statutes Annotated (now K.S.A. 71-201 *et seq.*). The College is a public two-year community college offering a comprehensive curriculum with liberal arts and sciences, as well as vocational and technical programs for credit and noncredit students from Thomas County and surrounding communities.

The financial statements of the College have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The College's reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The financial records of the Endowment Foundation (reported as a component unit of the College) are maintained on a modified cash basis. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. The differences between modified cash and accrual basis accounting are not determined, but are thought to be immaterial to these financial statements taken as a whole.

**Financial Reporting Entity**

The College is governed by an elected six-member board. As required by accounting principles generally accepted in the United States of America, these financial statements present **Colby Community College** (the primary government) and its component unit. The component unit is included in the College's reporting entity because of the significance of its operational or financial relationship with the College.

In May 2002, GASB issued Statement No. 39, Determining Whether Certain Organizations are Component Units. The Statement amends Statement No. 14, The Financial Reporting Entity, to provide additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College. Generally, it requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. The College implemented this change in the fiscal year ended June 30, 2004.

Colby Community College Endowment Foundation is a discretely presented component unit of the College and is included in the component unit column in the College's basic financial statements. It is reported in a separate column to emphasize that it is a not-for-profit entity legally separate from the College. The discretely presented component unit has a June 30<sup>th</sup> year end.

The Colby Community College Endowment Foundation is a not-for-profit corporation organized to raise funds to support educational undertakings at **Colby Community College**, and to receive and hold in trust any property transferred to the Foundation for the benefit of the College, or any student or employee of the College, managing all property received according to the uses specified by the donors or, in case the gift is a general one, to such uses as may be agreed upon by the Board of Directors. Scholarships totaling \$267,454 were provided to the College during the year.

Complete financial statements of the Foundation can be obtained from the College's business office or from its respective office at 1255 S. Range, Colby, Kansas 67701.

**COLBY COMMUNITY COLLEGE**  
Notes to the Financial Statements  
June 30, 2011 and 2010

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus and Basis of Accounting**

For financial statement reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated.

Non-exchange transactions, in which the College receives value without directly giving equal value in return, includes property taxes; federal, state and local grants; state appropriations and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenue from grants, state appropriations, and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used of the fiscal year when use is first permitted; matching requirements, in which the College must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

**Budgetary Information**

Kansas statutes require that an annual operating budget be legally adopted for the current funds – unrestricted. The statutes provide for the following sequence and timetable for the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding fiscal year on or before August 1<sup>st</sup>.
2. Publication in local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15<sup>th</sup>, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25<sup>th</sup>.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended June 30, 2011.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented in supplementary information for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the cash basis of accounting, modified by the recording of encumbrances. Revenues are recognized when cash is received. Expenditures include disbursements and encumbrances. Encumbrances are commitments by the College for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the Board.

**Budgetary Compliance – Legal Basis**

By statute, the College prepares its annual budget on a legal basis of accounting as described in Note 1. A reconciliation of these legal basis statements to the GAAP statements is presented in the Notes to Required

**COLBY COMMUNITY COLLEGE**  
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June 30, 2011 and 2010

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Supplementary Information on pages 25 through 27.

**Revenue Classification**

The college has classified its revenues as either operating or nonoperating according to the following criteria:

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, and (3) most federal, state and local grants.

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state aid, property taxes and investment income.

**Property Taxes**

Property taxes are levied each calendar year on all taxable real property located in the taxing district. Property taxes are recorded on an accrual basis of accounting.

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the College; and therefore, are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenues.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

The College's property taxes are assessed on a calendar year basis, are levied, and become a lien on the property on November 1<sup>st</sup> of each year. The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's Office annually determines assessed valuation and the County Clerk spreads the annual assessment to the taxing units. One-half of the property taxes are due December 20<sup>th</sup> and the second half is due May 10<sup>th</sup>. The College draws available funds from the County Treasurer's office at designated times throughout the year. Delinquent tax payments are recognized as revenue in the year received.

**Accounts Receivable**

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable are recorded net of estimated allowances for uncollectible amounts.

Management determines the adequacy of the allowance for doubtful accounts based upon review of the aged accounts receivable. Amounts determined uncollectible are charged to the allowance account and removed from accounts receivable.

Grants receivable includes amounts due from federal financial assistance programs and other grants.

**Capital Assets**

Capital assets include property, plant, equipment, and infrastructure assets, such as roads and sidewalks. Capital assets are defined by the College as assets with an initial unit cost of \$5,000 or more. Such assets are recorded at cost or estimated cost if purchased or constructed. Donated capital assets are recorded at

**COLBY COMMUNITY COLLEGE**  
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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvement are capitalized as projects are constructed.

Property, plant, and equipment of the College are depreciated using the straight-line method over the following estimated useful lives (see Note 3 for further detail):

<u>Assets</u>	<u>Years</u>
Buildings	50
Land Improvements	20
Machinery and Equipment	7-15
Vehicles	8
Computer Hardware/Software	5

**Inventories and Prepaid Items**

Inventories consist of items held for resale by the bookstore and are stated at the lower of cost or market. The College also holds farm inventory items which are held for resale by the farm program and are valued at estimated market value. The cost is recorded as expenses as the inventories are depleted. The College records certain payments to vendors that reflect costs applicable to future accounting periods as prepaid items in its financial statements.

**Federal Financial Assistance Programs**

The College participates in federally funded PELL Grants, SEOG Grants, Federal Work-Study, Federal Family Education Loans, Academic Competitiveness Grants, and Perkins Loan programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and the Compliance Supplement.

**Net Assets**

The College's net assets are classified as follows:

- a. *Invested in capital assets, net of related debt*: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- b. *Restricted net assets-expendable*: Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- c. *Restricted net assets-nonexpendable*: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College has no restricted nonexpendable net assets at June 30, 2011.
- d. *Unrestricted net assets*: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, sales and services of auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any lawful purpose.

**Compensated Absences**

The College provides paid vacations to all full-time employees based on years of employment. Employees who accrue leave time will be allowed to accumulate their vacation if they are unable to use their earned

**COLBY COMMUNITY COLLEGE**  
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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

vacation time within the current contract year. Accumulated vacation must be used within four months after the contract year has ended (or by October 31) or the vacation will be lost.

The College's policy regarding sick leave pay permits employees to accumulate sick leave at a rate of 10 days per year up to 90 days. Upon retirement or accepted resignation of employment at the College, a professional employee will be reimbursed 10 percent of the sick days the employee has accumulated. This does not apply if early retirement is used. The estimated liability for compensated absences at June 30, 2011 and 2010 totaled \$44,374 and \$40,062 respectively.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

**Scholarship Discounts and Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenue, expense, and change in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the student's behalf. Certain governmental grants, such as PELL, Supplemental Educational Opportunity Grants (SEOG), and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

**Cash**

For purposes of the statements of cash flows, cash consists of the College's bank deposits with original maturities of three months or less.

**Income Taxes**

The Colby Community College Endowment Foundation is exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code (IRC), as an Organization described in IRC Section 501(c)(3). Further, the Foundation has been classified as an Organization that is not a private foundation under IRC Section 509(a) and, as such, contributions to the Foundation qualify for deduction as charitable contributions. However, income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under IRC Section 511. The Foundation did not have any material unrelated business income tax liability for the years ended June 30, 2011 and 2010.

Generally accepted accounting principles prescribe the accounting for uncertainty in income taxes and a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. There was no effect on the financial statements as a result of adopting this interpretation as the Foundation believes it does not have any material uncertain tax positions reflected in its financial statements. Tax years that remain subject to examination in the Foundation's major jurisdictions are for the years ended June 30, 2011, 2010, and 2009.

**COLBY COMMUNITY COLLEGE**  
Notes to the Financial Statements  
June 30, 2011 and 2010

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**NOTE 2 – CASH AND INVESTMENTS**

**Deposits**

K.S.A. 9-1401 establishes the depositories which may be used by the College. The statute requires banks eligible to hold the College's funds have a main or branch bank in the county in which the College is located or in an adjoining county if such institution has been designated as an official depository and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The College has not further limited its interest rate risk in its investment policy.

K.S.A. 12-1675 limits the College's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The College has no investment policy that would further limit its investment choices.

*Concentration of credit risk.* State statutes place no limit on the amount the College may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. State statutes require the College's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The College did not use "peak periods" during the fiscal year ending June 30, 2011. All deposits were legally secured at June 30, 2011.

At June 30, 2011, the College's carrying amount of deposits was \$571,397 and the bank balance was \$970,996. Of the bank balance, \$794,604 was covered by federal depository insurance and \$176,392 was collateralized with securities held by pledging financial institutions' agents in the College's name.

The carrying amount of deposits for the Endowment Foundation, a discretely presented component unit, was \$1,094,525 and the bank balance was \$1,099,247. The entire bank balance was covered by FDIC or SIPC insurance coverage.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

**Investments**

At year end, the Endowment Foundations' investment balances consisted of \$3,915,968 in marketable securities with an estimated fair value of \$4,058,636, \$10,263 in Thomas County Community Foundation Magnet Money Investment – Designated Until Funds are Matched, and \$107,200 in land held for investment.

Accounting guidance establishes the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy are described below.

**COLBY COMMUNITY COLLEGE**  
Notes to the Financial Statements  
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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**Level 1**

Quoted prices in active markets for identical assets or liabilities

**Level 2**

Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities

**Level 3**

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the inputs and valuation methodologies used for assets and liabilities measured at fair value on a recurring basis:

Mutual funds, stocks, bonds, asset and mortgage backed securities are valued at the closing price reported on the active market on which the individual securities are traded. The value of the TCCF Magnet Money is based on the percentage of pooled securities held by the third-party trustee.

**COLBY COMMUNITY COLLEGE**  
Notes to the Financial Statements  
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**NOTE 2 – CASH AND INVESTMENTS (continued)**

The following table presents assets measured at fair value by classification within the fair value hierarchy as of June 30, 2011 and 2010 for Colby Community College Endowment Foundation.

		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
<b>June 30, 2011</b>				
Investments				
Stocks	\$ 640,316	640,316	-	-
Mutual Funds	1,048,786	1,048,786	-	-
Bonds, Assets and Mortgage Backed Securities	2,368,634	2,368,634	-	-
Mineral Interest	900	-	-	900
Total Investments	4,058,636	4,057,736	-	900
TCCF Magnet Money	11,185	-	11,185	-
Land Held for Investment	117,510	-	-	117,510
<b>Total</b>	<b>\$ 4,187,331</b>	<b>4,057,736</b>	<b>11,185</b>	<b>118,410</b>
<b>June 30, 2010</b>				
Investments				
Stocks	\$ 364,271	364,271	-	-
Mutual Funds	484,696	484,696	-	-
Bonds, Assets and Mortgage Backed Securities	2,838,981	2,838,981	-	-
Mineral Interest	900	-	-	900
Total Investments	3,688,848	3,687,948	-	900
TCCF Magnet Money	10,000	-	10,000	-
Land Held for Investment	107,200	-	-	107,200
<b>Total</b>	<b>\$ 3,806,048</b>	<b>3,687,948</b>	<b>10,000</b>	<b>108,100</b>

**COLBY COMMUNITY COLLEGE**  
Notes to the Financial Statements  
June 30, 2011 and 2010

**NOTE 3 – CAPITAL ASSETS**

The following is a summary of changes in the various capital asset categories for the years ended June 30, 2011 and 2010:

	Beginning Balance	<u>2011</u>		Ending Balance
		Increases	Decreases	
Land	\$ 340,877	-	-	340,877
Land Improvements	288,000	-	-	288,000
Buildings	11,609,552	-	-	11,609,552
Equipment	999,482	5,655	-	1,005,137
Vehicles	507,298	6,000	-	513,298
Computer Hardware/Software	812,791	42,111	-	854,902
<b>Total</b>	<b>14,558,000</b>	<b>53,766</b>	<b>-</b>	<b>14,611,766</b>
Less Accumulated Depreciation	5,659,700	433,043	-	6,092,743
Construction in Progress	-	55,269	-	55,269
<b>Capital Assets, Net</b>	<b>\$ 8,898,300</b>	<b>(324,008)</b>	<b>-</b>	<b>8,574,292</b>
 Bond Issuance Costs	 \$ 181,243	 -	 -	 181,243
Less Accumulated Amortization	12,082	6,042	-	18,124
<b>Other Assets, Net</b>	<b>\$ 169,161</b>	<b>(6,042)</b>	<b>-</b>	<b>163,119</b>
	Beginning Balance	<u>2010</u>		Ending Balance
		Increases	Decreases	
Land	\$ 40,000	300,877	-	340,877
Land Improvements	288,000	-	-	288,000
Buildings	11,609,552	-	-	11,609,552
Equipment	900,759	109,614	10,891	999,482
Vehicles	514,121	121,377	128,200	507,298
Computer Hardware/Software	659,938	152,853	-	812,791
<b>Total</b>	<b>14,012,370</b>	<b>684,721</b>	<b>139,091</b>	<b>14,558,000</b>
Less Accumulated Depreciation	5,371,922	426,869	139,091	5,659,700
Construction in Progress	-	-	-	-
<b>Capital Assets, Net</b>	<b>\$ 8,640,448</b>	<b>257,852</b>	<b>-</b>	<b>8,898,300</b>
 Bond Issuance Costs	 \$ 181,243	 -	 -	 181,243
Less Accumulated Amortization	6,041	6,041	-	12,082
<b>Other Assets, Net</b>	<b>\$ 175,202</b>	<b>(6,041)</b>	<b>-</b>	<b>169,161</b>

**COLBY COMMUNITY COLLEGE**  
Notes to the Financial Statements  
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**NOTE 4 – LEASE OBLIGATIONS**

Capital lease obligations of the College at June 30, 2011 and 2010, are comprised of the following:

	Outstanding July 1, 2010	Additions	Reductions	Outstanding June 30, 2011	Current Portion	Interest Paid
<b>Capital Leases</b>						
Building	\$ 770,000	-	155,000	615,000	160,000	36,048
1999 Prevost Bus	57,537	-	18,157	39,380	19,107	2,875
Copier	760	-	760	-	-	39
(2) 2007 Ford E-350 Vans	9,132	-	9,132	-	-	405
Ford Motor Credit Company	33,636	-	16,296	17,340	17,340	2,153
IP Office Phone System	15,674	-	10,927	4,747	4,747	636
<b>Total Capital Leases</b>	<b>\$ 886,739</b>	<b>-</b>	<b>210,272</b>	<b>676,467</b>	<b>201,194</b>	<b>42,156</b>

	Outstanding July 1, 2009	Additions	Reductions	Outstanding June 30, 2010	Current Portion	Interest Paid
<b>Capital Leases</b>						
Building	\$ 915,000	-	145,000	770,000	155,000	42,355
1999 Prevost Bus	74,811	-	17,274	57,537	18,242	3,738
Copier	1,477	-	717	760	760	79
(2) 2007 Ford E-350 Vans	17,875	-	8,743	9,132	9,132	794
Ford Motor Credit Company	-	52,085	18,449	33,636	16,296	-
IP Office Phone System	25,974	-	10,300	15,674	10,927	1,263
IKON Copier Lease	4,791	-	4,791	-	-	357
<b>Total Capital Leases</b>	<b>\$ 1,039,928</b>	<b>52,085</b>	<b>205,274</b>	<b>886,739</b>	<b>210,357</b>	<b>48,586</b>

A building capital lease obligation in the amount of \$615,000 at June 30, 2011 consists of an indenture for the issuance of Refunding Certificates of Participation dated September 1, 2001, for the new classroom building and addition to the Northwest Kansas Cultural Arts Center. The College leases the property from the trustee of the indenture and is required to make lease payments sufficient to retire the Certificates of Participation, and will obtain title to the property upon full payment of the obligation. The effective interest rate is 4.482 percent per annum. The lease includes an original term of 10 years commencing September 1, 2001, and a renewal term commencing on the last day of the original term for an additional four-year period. The lease contains a purchase option wherein the College may retire the obligation prior to the end of the lease. The purchase option price is the amount necessary to pay the currently due basic rental payment, any additional rental due and any additional amount necessary to redeem the outstanding certificates at maturity or on the earliest redemption date.

A capital lease obligation in the amount of \$39,380 at June 30, 2011, consists of an obligation for the purchase of a 1999 Prevost Bus. The effective interest rate is 4.85 percent per annum.

A capital lease obligation in the amount of \$17,340 at June 30, 2011, consists of an obligation for the purchase of three Ford Fusion automobiles. The effective interest rate is 6.40 percent per annum.

A capital lease obligation in the amount of \$4,747 at June 30, 2011, consists of an obligation for the purchase of an IP400 Phone System. The effective interest rate is 5.93 percent per annum.

**COLBY COMMUNITY COLLEGE**  
Notes to the Financial Statements  
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**NOTE 4 – LEASE OBLIGATIONS (continued)**

The following is a schedule of future payments for the capital lease obligations:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 201,193	32,255	233,448
2013	185,274	22,776	208,050
2014	175,000	14,035	189,035
2015	115,000	5,635	120,635
<b>Totals</b>	<b>\$ 676,467</b>	<b>74,701</b>	<b>751,168</b>

**NOTE 5 – LONG-TERM DEBT**

**Revenue Bond – Series 2007**

The College has issued revenue bonds in order to finance construction of a new dormitory.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business – Type Activities	4.5-5.375%	\$5,200,000

Long-term debt activity for the year ended June 30, 2011 was as follows:

	<u>Outstanding</u>			<u>Outstanding</u>	<u>Current</u>	<u>Interest</u>
	<u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>	<u>Portion</u>	<u>Paid</u>
<b>Business - Type Activities</b>						
Revenue Bond						
Series 2007	\$ 5,035,000	-	90,000	4,945,000	95,000	255,174
Capital Leases	886,739	-	210,272	676,467	201,194	42,156
<b>Total Long-Term Liabilities</b>	<b>\$ 5,921,739</b>	<b>-</b>	<b>300,272</b>	<b>5,621,467</b>	<b>296,194</b>	<b>297,330</b>

Long-term debt activity for the year ended June 30, 2010 was as follows:

	<u>Outstanding</u>			<u>Outstanding</u>	<u>Current</u>	<u>Interest</u>
	<u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>	<u>Portion</u>	<u>Paid</u>
<b>Business - Type Activities</b>						
Revenue Bond						
Series 2007	\$ 5,120,000	-	85,000	5,035,000	90,000	258,999
Capital Leases	1,039,928	52,085	205,274	886,739	210,357	48,586
<b>Total Long-Term Liabilities</b>	<b>\$ 6,159,928</b>	<b>52,085</b>	<b>290,274</b>	<b>5,921,739</b>	<b>300,357</b>	<b>307,585</b>

**COLBY COMMUNITY COLLEGE**  
Notes to the Financial Statements  
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**NOTE 5 – LONG-TERM DEBT (continued)**

The annual requirements to retire revenue bonds as of June 30, 2011 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 95,000	251,124	346,124
2013	100,000	246,849	346,849
2014	100,000	242,349	342,349
2015	105,000	237,849	342,849
2016	110,000	233,124	343,124
2017-2021	635,000	1,086,801	1,721,801
2022-2026	805,000	933,053	1,738,053
2027-2031	1,030,000	710,906	1,740,906
2032-2036	1,330,000	411,113	1,741,113
2037-2041	635,000	67,859	702,859
Totals	\$ <u>4,945,000</u>	<u>4,421,027</u>	<u>9,366,027</u>

**NOTE 6 – COMPLIANCE WITH REVENUE BOND PROVISION**

The Student Housing System Revenue Bonds – Series 2007 requires that the College fix and maintain rates, fees and other charges of the System, which are sufficient, after payment of costs of operating and maintaining the System, to produce net revenues each year equal to not less than 125% of the System's annual debt service and to apply available monies to maintain minimum required balances in certain of the funds and accounts created under the Bond Resolution. "Net revenues" of the System will mean all System Revenues, less all System Operating expenses, plus the net revenue of the bookstore operation of the College.

The College did produce net revenues equal to or greater than 125% of the System's annual service requirement for the year ended June 30, 2011.

Net Revenues	\$ 504,917
Average Annual Debt Service Requirement	350,240
	<u>125%</u>
Minimum Required	<u>437,800</u>
Excess	\$ <u>67,117</u>

The Bond Resolution requires that the College maintain a Debt Service Reserve Account not to exceed the lesser of 10% of the original principal amount of the Parity Bonds, the maximum annual Debt Service Requirements for the Parity Bonds, or 125% of the average annual Debt Service Requirements for the Parity Bonds. The College is in compliance with their Debt Service Reserve Account requirements.

**COLBY COMMUNITY COLLEGE**  
Notes to the Financial Statements  
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**NOTE 7 – DEFINED BENEFIT PENSION PLAN**

**Plan Description.** The College contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

**Funding Policy.** K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. The State currently contributes 9.17% of covered payroll and 16.48% for non-licensed KPERS retirees and 20.48% for licensed KPERS retirees as of June 30, 2011. The State contributed 8.57% of covered payroll, 10.07% for non-licensed KPERS retirees and 20.07% for licensed KPERS retirees for June 30, 2010. These contribution requirements are established by KPERS and are periodically revised. The State of Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2011, 2010, and 2009 were \$253,834,044, \$248,468,186, and \$242,277,363, respectively, equal to the required contributions for each year as set forth by the legislature. The amounts attributable to the College for the years ending June 30, 2011, 2010, and 2009 were \$227,161, \$212,863, and \$193,244, respectively.

**NOTE 8 – OTHER POST EMPLOYMENT BENEFITS**

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. During the year ended June 30, 2011, approximately 8 retirees participated in this plan and the College paid \$39,102 premiums for these retirees. Any remaining subsidy to retirees due to the plan's level premium structure has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the College makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the College under this program.

**NOTE 9 – TERMINATION BENEFITS**

The College provides an early retirement program for certain eligible employees if the employee:

- a. is currently an employee of the college;
- b. is not less than age 59 and meets the KPERS provision for early retirement;
- c. has 15 years of employment at the college immediately prior to the request for early retirement; and
- d. a majority of the 15 years of service shall have been full-time service.

The College also provides annual payments in amounts based upon the final year of contracted salary for eligible individuals retiring from employment. Per GASB Statement No. 47 the College recognizes a liability and expense for voluntary termination benefits when the offer is accepted and the amount can be estimated.

Those eligible under this program may receive benefits for up to five years. Payments to retired employees under this plan were \$76,842 for the year ended June 30, 2011.

**COLBY COMMUNITY COLLEGE**  
Notes to the Financial Statements  
June 30, 2011 and 2010

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**NOTE 10 – RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has been able to obtain errors and omissions insurance at a cost considered to be economically justifiable.

The College carries commercial insurance for all other risks of loss, including property, general liability, inland marine, crime, umbrella, auto, and fidelity bond coverage.

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three calendar years.

**NOTE 11 - LITIGATION**

The College is party to various legal proceedings, which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the college.

**NOTE 12 – COMPARATIVE DATA**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the College's financial position and operations. The College has changed the grouping of the accounts in the financial statements in the current year and the prior year comparative totals have been changed to be in conformity with these changes.

**NOTE 13 – INTERFUND TRANSFERS**

A summary of interfund transfers by fund type is as follows:

	Transfers <u>In</u>	Transfers <u>Out</u>
General	\$1,110,058	\$1,614,622
Adult Basic Education	-	39,673
Adult Supplemental Education	56,498	-
Student Union	-	585,611
Athletics	656,448	100,749
Non-Budgeted Funds	<u>3,854,884</u>	<u>3,337,233</u>
Total	<u>\$5,677,888</u>	<u>\$5,677,888</u>

**NOTE 14 – RELATED PARTY TRANSACTIONS**

The following is a summary of related party transactions.

<u>Entity</u>	<u>Relationship</u>	<u>Transaction</u>	<u>Amount</u>
High Plains Printing	Owner Cindy Black Board Member	Various Office Supplies	\$3,513

**COLBY COMMUNITY COLLEGE**  
Notes to the Financial Statements  
June 30, 2011 and 2010

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**NOTE 15 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Expenditures must be made in compliance with the cash basis law which requires that no indebtedness be created for a fund in excess of available monies in that fund. Colby Community College had expenditures in excess of the available monies in the Adult Supplementary Education Fund and Athletics Fund, which is a violation of K.S.A. 10-1113.

Expenditures exceeded the budgeted amounts in the following funds, which is a violation of K.S.A. 79-2935.

General Fund	\$ 252,576
Adult Basic Education	1,779
Adult Supplementary Education	3,614

**NOTE 16 – PRIOR PERIOD ADJUSTMENT**

A liability for accrued sick leave was restated as of July 1, 2009 to reflect the prior year accrued balance. A prior period adjustment of \$68,545 was made to Accrued Payroll and Benefits resulting in an increase in the liability account and an increase in the salaries expense accounts for the year ended June 30, 2010.

The allowance for doubtful accounts balance was restated as of June 30, 2010 to accurately reflect the historical trends for the allowance for doubtful accounts. The prior year allowance for doubtful accounts was estimated at 41% whereas historical trends show the current year estimate of 55% more accurately reflects the collectability of these accounts receivable. This change results in a prior period adjustment of \$91,856, which will increase the allowance for doubtful accounts and decrease the tuition and fees revenue for the year ended June 30, 2010.

**NOTE 17 - SUBSEQUENT EVENTS**

On July 18, 2011 the governing body of Colby Community College approved a resolution to enter into a lease purchase agreement with Security Bank of Kansas City for the purpose of paying costs of acquiring and installing energy conservation measures in certain buildings on the campus of the College. The College then issued \$4,659,000 of Certificates of Participation Series 2011. The term of the lease is for 25 years terminating on August 1, 2036 with the option to purchase at that time. The College will satisfy its obligations by making basic rent payments with principal portions payable on August 1 of each year beginning August 1, 2012. Interest portions of basic rent will be payable semiannually on Feb 1 and August 1 of each year beginning August 1, 2012.

**COLBY COMMUNITY COLLEGE**  
Combining Schedule of Revenues, Expenditures,  
Encumbrances and Changes in Fund Balance - Actual and Budget -  
Current Funds - Unrestricted (Statutory Basis)  
For the Year Ended June 30, 2011

	General			Adult Basic Education			Adult Supplementary Education			Total (Memorandum Only)		
	Actual	Budget	(Over) Under Budget	Actual	Budget	(Over) Under Budget	Actual	Budget	(Over) Under Budget	Actual	Budget	(Over) Under Budget
<b>REVENUES</b>												
Student Tuition and Fees	\$ 2,759,674	2,238,710	(520,964)	-	-	-	2,365	-	(2,365)	2,762,039	2,238,710	(523,329)
Less: Student Aid/Discounts	(861,316)	-	861,316	-	-	-	-	-	-	(861,316)	-	861,316
Net Student Tuition and Fees	1,898,358	2,238,710	340,352	-	-	-	2,365	-	(2,365)	1,900,723	2,238,710	337,987
Local	3,426,547	3,406,991	(19,556)	33,460	-	(33,460)	-	-	-	3,460,007	3,406,991	(53,016)
State	2,072,201	2,072,201	-	45,761	54,000	8,239	-	-	-	2,117,962	2,126,201	8,239
Federal	-	-	-	85,787	110,000	24,213	-	-	-	85,787	110,000	24,213
Investment	552	-	(552)	148	-	(148)	-	-	-	700	-	(700)
Other	528,897	292,230	(236,667)	2,563	-	(2,563)	962	6,000	5,038	532,422	298,230	(234,192)
Total Revenues	7,926,555	8,010,132	83,577	167,719	164,000	(3,719)	3,327	6,000	2,673	8,097,601	8,180,132	82,531
<b>EXPENDITURES AND ENCUMBRANCES</b>												
Academics												
Payroll and Benefits	3,810,698			144,792			52,492			4,007,982		
Operational Costs	587,534			27,314			11,122			625,970		
Student Support												
Payroll and Benefits	448,708			-			-			448,708		
Operational Costs	58,939			-			-			58,939		
Development, Facilities and Athletics												
Payroll and Benefits	939,237			-			-			939,237		
Operational Costs	700,311			-			-			700,311		
General and Administrative												
Payroll and Benefits	550,928			-			-			550,928		
Operational Costs	634,516			-			-			634,516		
Total Expenditures and Encumbrances	7,730,871	7,982,860	251,989	172,106	210,000	37,894	63,614	60,000	(3,614)	7,966,591	8,252,860	286,269
Revenues Over (Under) Expenditures and Encumbrances	195,684	27,272	(168,412)	(4,387)	(46,000)	(41,613)	(60,287)	(54,000)	6,287	131,010	(72,728)	(203,738)
<b>OTHER FINANCING SOURCES (USES)</b>												
Non-Mandatory Net Transfers	(504,565)	(140,000)	(364,565)	(39,673)	36,000	75,673	56,498	60,000	3,502	(487,740)	(44,000)	(443,740)
Revenues Over (Under) Expenditures and Encumbrances and Other Financing Sources (Uses)	(308,881)	(112,728)	196,153	(44,060)	(10,000)	34,060	(3,789)	6,000	9,789	(356,730)	(116,728)	240,002
(Increase) Decrease in Receivables and Inventories	15,557	-	(15,557)	-	-	-	-	-	-	15,557	-	(15,557)
Increase (Decrease) in Reserve for Encumbrances	(6,900)	-	6,900	3,000	-	(3,000)	1,100	-	(1,100)	(2,800)	-	2,800
Fund Balance, Beginning of Year	732,826	601,219	(131,607)	89,169	87,096	(2,073)	1,198	(3,570)	(4,768)	823,193	684,745	(138,448)
Fund Balance, End of Year	\$ 432,602	488,491	55,889	48,109	77,096	28,987	(1,491)	2,430	3,921	479,220	568,017	88,797

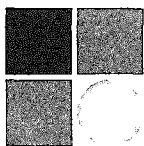
**COLBY COMMUNITY COLLEGE**  
Combining Schedule of Revenues, Expenditures,  
Encumbrances and Changes in Fund Balance - Actual and Budget -  
Current Funds - Unrestricted (Statutory Basis)  
For the Year Ended June 30, 2011

	Student Union - Dormitory			Athletics			Auxiliary Total (Memorandum Only)		
	Actual	Budget	(Over) Under Budget	Actual	Budget	(Over) Under Budget	Actual	Budget	(Over) Under Budget
<b>REVENUES</b>									
Student Tuition and Fees	\$ 200,000	-	(200,000)	-	-	-	200,000	1,305,000	1,105,000
Less: Student Aid/Discounts	-	-	-	-	-	-	-	-	-
Net Student Tuition and Fees	200,000	-	(200,000)	-	-	-	200,000	1,305,000	1,105,000
Local	-	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-	-
Federal	-	-	-	-	-	-	-	-	-
Investment	86	-	(86)	-	-	-	86	-	(86)
Other	1,591,608	-	(1,591,608)	18,905	-	(18,905)	1,610,513	675,000	(935,513)
Total Revenues	1,791,694	-	(1,791,694)	18,905	-	(18,905)	1,810,599	1,980,000	169,401
<b>EXPENDITURES AND ENCUMBRANCES</b>									
Academics									
Payroll and Benefits	-			-			-		
Operational Costs	-			-			-		
Student Support									
Payroll and Benefits	163,114			-			163,114		
Operational Costs	524,504			-			524,504		
Development, Facilities and Athletics									
Payroll and Benefits	-			496,022			496,022		
Operational Costs	191,451			343,002			534,453		
General and Administrative									
Payroll and Benefits	67,734			-			67,734		
Operational Costs	318,899			-			318,899		
Total Expenditures and Encumbrances	1,265,702			839,024			2,104,726	2,223,400	118,674
Revenues Over (Under) Expenditures and Encumbrances	525,992			(820,119)			(294,127)	(243,400)	50,727
<b>OTHER FINANCING SOURCES (USES)</b>									
Non-Mandatory Net Transfers	(585,611)			555,699			(29,912)	80,000	109,912
Revenues Over (Under) Expenditures and Encumbrances and Other Financing Sources (Uses)	(59,619)			(264,420)			(324,039)	(163,400)	160,639
(Increase) Decrease in Receivables and Inventories	12,070			-			12,070	-	(12,070)
Increase (Decrease) in Reserve for Encumbrances	(28,700)			2,100			(26,600)	-	26,600
Fund Balance, Beginning of Year	141,435			90,986			232,421	167,115	(65,306)
Fund Balance, End of Year	\$ 65,186			(171,334)			(106,148)	3,715	109,863

**COLBY COMMUNITY COLLEGE**  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2011

Reconciliation of Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on a budgetary basis to GAAP basis.

	General	Adult Basic Education	Adult Supplementary Education	Student Union Dormitory	Athletics	Total Budgetary Funds	Non-budgetary Funds	Total All Funds
<b>REVENUES</b>								
Actual amounts (budgetary basis) revenues from combining schedules (Schedules 1 and 2)	\$ 7,926,555	167,719	3,327	1,791,694	18,905	9,908,200	3,977,742	13,885,942
Adjustments								
Accounts Receivable Adjustment	69,030	-	-	(4,408)	-	64,622	(166,772)	(102,150)
Change in Prepaid Expenses	-	-	-	-	-	-	-	-
Tax in process 6/30/10	(302,560)	-	-	-	-	(302,560)	-	(302,560)
Tax in process 6/30/11	220,997	-	-	-	-	220,997	-	220,997
Total revenues as reported on the Statement of Revenues, Expenses and Changes in Net Assets	7,914,022	167,719	3,327	1,787,286	18,905	9,891,259	3,810,970	13,702,229
<b>EXPENDITURES</b>								
Actual amounts (budgetary basis) expenditures from combining schedules (Schedule 1 and 2)	7,730,871	172,106	63,614	1,265,702	839,024	10,071,317	4,433,081	14,504,398
Adjustments:								
Inventory Adjustment	(28,090)	-	-	21,588	-	(6,502)	-	(6,502)
Accounts Payable Adjustment	-	-	-	(38,066)	-	(38,066)	19,060	(19,006)
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the items are received for GAAP reporting -								
Less 2011 Encumbrances	(49,900)	(5,200)	(2,300)	(4,500)	(2,600)	(64,500)	(67,700)	(132,200)
Plus 2010 Encumbrances	56,800	2,200	1,200	33,200	500	93,900	35,400	129,300
Total expenditures as reported on the Statement of Revenue, Expenses and Changes in Net Assets	7,709,681	169,106	62,514	1,277,924	836,924	10,056,149	4,419,841	14,475,990
<b>OTHER FINANCING SOURCES (USES)</b>								
Actual amounts (budgetary basis) other financing sources (uses) from combining schedules (Schedules 1 and 2)	(504,565)	(39,673)	56,498	(585,611)	555,699	(517,652)	517,652	-
Net Increase (Decrease) in Net Assets, as reported on the Statement of Revenue, Expenses and Changes in Net Assets	(300,224)	(41,060)	(2,689)	(76,249)	(262,320)	(682,542)	(91,219)	(773,761)
Net Assets, Beginning of Year-As Previously Stated	732,826	89,169	1,198	141,435	90,986	1,055,614	3,945,261	5,000,875
Prior Period Adjustment	(124,715)	(2,718)	-	(4,446)	(11,814)	(143,693)	(16,708)	(160,401)
Net Assets, Beginning of Year-As Restated	608,111	86,451	1,198	136,989	79,172	911,921	3,928,553	4,840,474
Net Assets, End of Year	\$ 307,887	45,391	(1,491)	60,740	(183,148)	229,379	3,837,334	4,066,713



Certified  
Public  
Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
**Colby Community College**  
Colby, Kansas

We have audited the financial statements of **Colby Community College** as of and for the year ended June 30, 2011 and have issued our report thereon dated February 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Colby Community College Endowment Foundation were not audited in accordance with Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered **Colby Community College's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Colby Community College's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **Colby Community College's** internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs (2011-1 and 2011-2), that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **Colby Community College's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

**Colby Community College**  
Page Two

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of **Colby Community College** in a separate letter dated February 27, 2012.

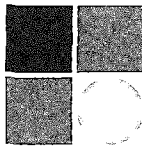
**Colby Community College's** response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit **Colby Community College's** response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, the Kansas Board of Regents, the Kansas Division of Accounts and Reports, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Adams, Brown, Beran & Ball, Chtd". The signature is written in a cursive, flowing style.

**ADAMS, BROWN, BERAN & BALL, CHTD.**  
Certified Public Accountants

February 27, 2012



Certified  
Public  
Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees  
**Colby Community College**  
Colby, Kansas

**Compliance**

We have audited **Colby Community College's** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **Colby Community College's** major federal programs for the year ended June 30, 2011. **Colby Community College's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of **Colby Community College's** management. Our responsibility is to express an opinion on **Colby Community College's** compliance based on our audit. **Colby Community College's** basic financial statements include the operations of Colby Community College Endowment Foundation, which received \$0 in federal awards during the year ended June 30, 2011. Our audit described below, did not include the operation of this component unit because it received no federal awards.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit Guide*; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Colby Community College's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **Colby Community College's** compliance with those requirements.

In our opinion, **Colby Community College** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those compliance requirements, which is required to be reported in accordance with the OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-3 and 2011-4.

### Internal Control Over Compliance

Management of **Colby Community College** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **Colby Community College's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Colby Community College's** internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-3 and 2011-4. A significant deficiency in internal control over compliance is a requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

**Colby Community College's** responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit **Colby Community College's** responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, the Kansas Board of Regents, the Kansas Division of Accounts and Reports, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**ADAMS, BROWN, BERAN & BALL, CHTD.**  
Certified Public Accountants

February 27, 2012

**COLBY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued: Qualified

Internal control over financial reporting:

- Material weakness identified?        Yes   X   No
- Significant deficiency identified?   X   Yes        No
- Noncompliance material to financial statements noted?        Yes   X   No

**FEDERAL AWARDS**

Internal control over major programs:

- Material weakness identified?        Yes   X   No
- Significant deficiency identified?   X   Yes        Yes

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?   X   Yes        No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007	Federal Supplemental Educational Opportunity Grant Program (FSEOG)
84.033	Federal Work Study Program (FWS)
84.038	Federal Perkins Loan Program (FPL)
84.063	Federal Pell Grant Program (PELL)
84.375	Academic Competiveness Grant Program (ACG)
84.268	Federal Direct Loan Program (FOC)
84.031A	Higher Education Institutional Aid

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?        Yes   X   No

**COLBY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

**A. Significant Deficiency in Internal Control**

**2011-1**

Criteria or specific requirement

Internal controls should be in place to insure that all journal entries are reviewed and approved.

Condition

Review and approval of the journal entry process is not being completed.

Context

All journal entries and supporting documentation selected for testing were reviewed for proper review and supporting documentation and no indication of such was noted.

Effect

Journal entries could be made without the proper review and approval.

Cause

Due to turnover in the President's office, journal entries were not being reviewed by anyone other than the CFO.

Recommendation

*Procedures should be established and implemented where the President reviews and approves all journal entries prepared by the CFO. All other journal entries should be reviewed and approved by the CFO.*

Views of responsible officials and planned corrective actions

The College is aware that all journal entries should be reviewed and approved by a higher level of management other than the person preparing the entry. The College has implemented a procedure to have the President review and approve all journal entries prepared by the CFO to provide the proper control over this process. The CFO will continue to review all other journal entries.

**2011-2**

Criteria or specific requirement

Procedures should be established to collect on outstanding accounts receivable.

Condition

No procedures are in place to collect on outstanding accounts receivable.

Context

Historical trends were reviewed for the accounts receivable account and the allowance for doubtful accounts to determine the collectability of these accounts. Procedures for the accounts receivable process were reviewed with management. The prior year allowance for doubtful accounts was estimated at 41% whereas historical trends show the current year estimate of 55% accurately reflects the collectability of these accounts.

Effect

The current collection procedures are ineffective resulting in a build-up of accounts receivable at year end.

**COLBY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

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**2011-2 (continued)**

**Cause**

The College does not have a policy in place to actively pursue these outstanding accounts receivable.

**Recommendation**

An accounts receivable collection policy should be developed and implemented so these accounts can be turned over to collection.

**Views of responsible officials and planned corrective actions**

The College is aware of the continual build-up in accounts receivable balances and due to a shortage of staff this issue has been left unaddressed.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**A. Significant Deficiency in Internal Control**

**2011-3**

**Information on the Federal Program**

US Department of Education Perkins Loan Program – CFDA No. 84.038

**Criteria or specific requirement**

The College is required to establish repayment plans and have exit interviews on file.

**Condition**

Out of 60 files reviewed, one file did not contain an exit interview and one file could not be produced by the college.

**Questioned Costs**

Exit interviews should be included in the files. No questioned costs were noted.

**Context**

A total of 60 Perkins loan files were examined. Of the 60, one file contained no exit interview and one file could not be produced for testing these items.

**Effect of Condition**

When a student has completed their education at the college, they should have a copy of the exit interview on file. If this is not complete, the student may not understand what their loan obligations will be after they are out of deferment.

**Cause**

The College has a number of older files that have not been well maintained due to past personnel turnover and lack of student payments on accounts.

**Recommendation**

The College needs to properly maintain copies of the exit interviews for their files.

**COLBY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

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**2011-4**

Information on the Federal Program

US Department of Education Higher Education Institutional Aid – CFDA No. 84.031A

Criteria or specific requirement

The College is required to label each item purchased with Title III money to indicate that the item was funded with Title III funds.

Condition

Out of 37 items observed, six items were not labeled as Title III assets by the college.

Questioned Costs

Per the Title III requirements, the assets purchased with Title III funds should be labeled with this information. No questioned costs were noted.

Context

A total of 37 items were observed for proper labeling. Of the 37, six items were not labeled as Title III assets by the college.

Effect of Condition

If the items that are purchased with Title III funds are not labeled, then the college may not be able determine if they are complying with the budget they outlined in their grant agreement. This could result in possible overspending of the Title III funds during the award period and the college would have to recover the additional costs from their general fund.

Cause

The College has failed to properly label their Title III assets due to a change in the Director and lack of communication between the present and prior personnel.

Recommendation

The College needs to properly label each item that is purchased with Title III funds.

**COLBY COMMUNITY COLLEGE**  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2011

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No material findings or questioned costs for the year ended June 30, 2010 are required to be disclosed under OMB Circular A-133.

**COLBY COMMUNITY COLLEGE**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass Through Number	Federal Expenditures
<b>U. S. Department of Education</b>			
Direct Programs			
Student Support Services Grant	84.042	N/A	\$ 224,801
Perkins Loan Program	84.038	N/A	48,487
Pell Grant Program	84.063	N/A	1,757,370
Supplemental Educational Opportunity Grant Program	84.007	N/A	31,673
Work Study Program	84.033	N/A	93,166
Academic Competiveness Grant	84.375	N/A	48,218
Federal Direct Loan Program	84.268	N/A	2,133,290
Higher Education Institutional Aid	84.031A	N/A	<u>594,555</u>
Total Direct Programs			<u>4,931,560</u>
Passed Through Kansas Board of Regents			
Adult Basic Education	84.002	3042-3000, 3010, 3020	85,790
State Fiscal Stabilization	84.394	48-2-1180-411	185,650
Carl Perkins Program Improvement Grant	84.048	3051-3004,3005, 3006, 3052	<u>142,480</u>
Total Passed Through Kansas Board of Regents			<u>413,920</u>
Total U. S. Department of Education			5,345,480
<b>Corporation for National Service</b>			
Passed Through Western Kansas			
Community Services Consortium:			
Retired Senior Volunteer Program	94.002	95-2728-0-0-000	<u>52,917</u>
Total Expenditures of Federal Awards			<u>\$ 5,398,397</u>

See accompanying notes to schedule of expenditures of federal awards.

**COLBY COMMUNITY COLLEGE**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Colby Community College** and is presented on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE 2 – FEDERAL LOAN PROGRAMS**

Federal direct programs are presented by the federal department. Federal flow-through programs are presented by the entity through which the College received the federal financial assistance.

Outstanding loans at June 30, 2011 under the Perkins Loan Program are \$558,789.

The College also participates in the Federal Direct Loan Program (CFDA 84.268). The dollar amounts are listed in the schedule of expenditures of federal awards; however, the College is not the recipient of the funds. Such programs are considered as a component of the Student Financial Assistance Major Program. New loans made to eligible students pursuant to these programs during the year ended June 30, 2011 totaled \$2,135,385.